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ROYAL COMMISSION ON ENERGY

Submission of

Mobil Oil of Canada, Ltd.

Calgary - February, 1958.



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ON ENERGY

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Mobil Oil of Canada, Ltd. is a wholly owned subsidiary of Socony Mobil Oil Company, Inc. We are presently engaged in the exploration and production of oil and natural gas in the three prairie provinces as well as British Columbia and the Northwest Territories. A total of 916 persons are directly employed by our Company at fourteen communities throughout Western Canada. Our annual payroll is approximately \$5,000,000; our purchases of equipment and supplies totalled approximately \$9,000,000 during 1957.

Mobil Oil's first exploration venture was an unsuccessful wildcat test drilled on Prince Edward Island in 1942. Since that time, in Western Canada the Company has drilled 366 wildcats and 1,037 development wells. Thirty-nine of our wildcats discovered oil, the first coming in 1950 when we discovered a small Devonian reef field at Duhamel in Central Alberta.

At present, as operators for a number of joint interest properties in addition to our wholly owned properties, we produce approximately 48,000 barrels of oil per day from 997 wells. Mobil Oil's share of this production is approximately 26,500 barrels per day from 530 net wells.

Incidentally to our oil exploration, we encountered natural gas in commercial quantities in 31 of our wildcat tests. They represent an investment, in drilling alone, of \$2,800,000.

Markets were obtained for the gas in three of these discovery areas, and a total of seven development wells in the three areas are currently producing small quantities of gas. During 1957, our net monthly revenue from natural gas was approximately \$4,300.

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The remaining 28 gas discovery areas, because of an absence of markets, are undeveloped and are shut-in.

During the seventeen years of our operations, our investments in land acquisition, exploration, development drilling, and producing facilities have resulted in average success in establishing production. However, to the end of 1957, the total revenue derived from this production represents approximately one-third of our total investment.

Our staff has studied the information contained in the submission presented to this commission by the Canadian Petroleum Association and consider it to be a factual representation of the present reserves situation. We consider their brief to show a reasonable assessment of the potential that will be realized through continued exploratory and development efforts. Mobil Oil of Canada endorses the submission presented by the Canadian Petroleum Association.

In order to attract its large requirement of venture capital, the oil industry needs crude oil market security. The conditions encountered in crude oil trade are, however, extremely complex, and are subject to rapid change. Experience has shown that balanced and orderly development of crude markets is best established through the free action of normal competitive economic forces.

We in Mobil Oil are in favour of securing markets for Canadian crude oil by any accepted means that are truly economic and in a truly competitive atmosphere.

The nature of the natural gas business requires that adequate reserves be established before markets can be developed. Although time is required to do this, long delays after reserves have been established can only result in a serious burden of tied-up capital for producers.

The conversion of probable reserves into proven reserves takes place when development drilling in discovery areas is justified by market incentive. With a market incentive, a high percentage of Canada's probable reserves will be converted to proven reserves. These, supported by a continued favourable rate of new discovery, provide a generous degree of long-term protection for consumers.

Full and continuing attention to supply protection for Canadian consumers is necessary. However, we believe that commensurate effort should be made to facilitate the entry of surplus natural gas, into markets wherever they may be competitively developed.

Respectfully submitted

Mobil Oil of Canada, Ltd.

Calgary, Alberta

By: A. O. Detmar

February 14, 1958

President and General Manager

